

# REFOCUSING HIGHER EDUCATION ON CAREER OUTCOMES

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Make School



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 **SOLUTIONS**  
FROM BEYOND THE BELTWAY

## About the Author



**Ashutosh Desai** is the founder of Make School, a new college in San Francisco preparing students of diverse backgrounds for life and work in the 21<sup>st</sup> century. Make School offers a bachelor's degree in applied computer science and currently enrolls 200 students, 40% of whom are students of color. Most students at Make School pay nothing until they get a job that pays at least \$60,000. Alumni outcomes are on par with top computer-science programs in the country, with an average starting salary of over \$100,000.

Desai started his career as a software entrepreneur in high school before dropping out of college to found Make School. He built the curriculum for the first iPhone app development courses at MIT, UC Berkeley, and Carnegie Mellon, and he has given lectures to MBA students at Stanford and INSEAD. Desai has no affiliation with the Manhattan Institute.

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## Executive Summary

Students today face a grim reality: they pay exorbitant tuition costs—often for little gain.<sup>1</sup> Those who earn a degree hold few industry-relevant skills and face high underemployment.<sup>2</sup> If they took debt to graduate, their timeline for buying a house and starting a family will be pushed back by 5 to 10 years, compared with their parents.<sup>3</sup> Those without degrees face severely limited career prospects, but 40% of students fail to graduate in six years and are left with both debt and limited earnings potential.<sup>4</sup>

In recent decades, policymakers and educational institutions have focused on increasing access and funding for first-generation, low-income, and minority students. But these efforts have failed to close the achievement gap because they do nothing to change the nature of the educational programs. Instead of funding and access, the focus should be on program delivery and the link between learning objectives and career success. In attempting to reform education, we should focus on the career outcomes that various forms of higher education produce.

**In this report, I will detail five changes that would improve outcomes for students by aligning their interests with the interests of higher-education institutions:**

- ✓ Implement risk-sharing for Title IV loans to incentivize schools to prepare students for careers.
- ✓ Require schools to report job outcomes to help students make smart choices.
- ✓ Encourage accreditors to seek and support innovation.
- ✓ Partner with philanthropic organizations to create pay-for-success grants for innovative experiments.
- ✓ Reform the Educational Quality through Innovative Partnerships (EQUIP) program to allow new programs to access Title IV funding and give college credit.

I approach these challenges from the perspective of a college dropout. After attending a progressive prep school with a strong liberal arts foundation and early exposure to software engineering, I studied computer science at UCLA, where the lectures taught static and outdated concepts and seemed irrelevant for my desired career. I was investing time and money for a credential, not an education. Before the end of my freshman year, I dropped out.

Today, I run an organization, Make School, which offers a bachelor's degree in applied computer science in partnership with Dominican University. Most students pay nothing until they get a job that pays at least \$60,000 annually. The program, designed with industry partners, blends liberal arts and employable skills and can be completed in two to two and a half years. It eschews traditional metrics for admission.<sup>5</sup> Unlike students in most top computer-science programs, many of our students come from minority backgrounds; yet they achieve average starting salaries on par with the best programs in the country.

# REFOCUSING HIGHER EDUCATION ON CAREER OUTCOMES

## Institutional Incentives Are Misaligned with Student Goals

Colleges often advertise their outcomes, defined as a degree as an end itself rather than a means to a career. *U.S. News & World Report* rankings, for example, treat six-year graduation rates as important “outcomes.”<sup>6</sup> They also measure the extent to which a school produces “social mobility” by the graduation rate of Pell grant recipients—without considering how well those students fare after graduation.

This is not due to a lack of concrete data. Raj Chetty published groundbreaking work based on publicly available data sets for his Equality of Opportunity project, which ranked colleges based on actual social-mobility statistics.<sup>7</sup> Colleges rarely communicate career-outcome statistics to prospective students.

The Department of Education (ED) has implemented policies that seek to link institutional incentives to student career outcomes, but these policies have been successful only in curtailing the worst offenders.<sup>8</sup> The vast majority of institutions have no systemic incentives to improve student career outcomes or the financial well-being of alumni.

Today’s crop of college administrators overwhelmingly support higher accountability of institutions—through federal incentives—and greater access to information about quality and return on investment for prospective students. But few administrators believe that their own institutions are part of the problem.<sup>9</sup>

## Outcomes-Based Incentives and Evidence-Based Innovation

### ***1. Implement risk-sharing for Title IV loans to incentivize schools to prepare students for careers.***

Federal incentives for institutions to focus on career outcomes offer the biggest potential benefit. The current system creates an incentive for schools to maximize enrollments, which drives revenue. Most college administrators believe that institutions focus too much on enrolling students and not enough on serving students.<sup>10</sup> To effectively drive systemic change, revenue must be linked to student outcomes and loan payback.

Strengthening outcomes-based accountability is widely supported by college administrators, and it appears in Higher Education Act reauthorization proposals offered by House Democrats<sup>11</sup> as well as Senate Republicans.<sup>12</sup>

My institution—Make School<sup>13</sup>—currently uses Income Share Agreements (ISA) as an alternative to Title IV loans.<sup>14</sup> Students pay tuition only if they get a job that pays over \$60,000 per year, so our financial incentives are



linked to student outcomes. This means that we have to keep career success front and center in every aspect of the program.<sup>15</sup> Our average starting salary is approximately \$100,000,<sup>16</sup> on par with top computer-science programs in the nation. Additionally, 40% of our students are students of color—more than at most top schools—and nearly half are from families making less than \$60,000 annually.<sup>17</sup> This demonstrates the effectiveness of aligning institutional incentives with student success.

Title IV policy should be reformed to ensure that all institutions have skin in the game. A portion of federal loan money could be withheld from schools until students have made their first principal payment; schools could be fined if a certain portion of students fail to pay down their principal. The withholdings or fines would be used to offset obligations for students who fail to achieve successful outcomes and are unable to pay off their debt.

Penalties should be balanced with bonuses for creating upward mobility for low-income students, so that colleges will not respond by not admitting students with more on-paper risk. Similarly, Pell grants should be expanded to further support low-income students. The policy should apply not only to bad actors; even well-performing institutions should be given incentives to perform better.<sup>18</sup> The Center for American Progress has published an overview of various risk-sharing proposals.<sup>19</sup>

## ***2. Require schools to report job outcomes to help students make smart choices.***

DOE should introduce standardized reporting requirements for job-outcome data, broken down by major, for all institutions. These data should appear clearly and transparently on the institution's website, in any comprehensive marketing and admissions materials, and alongside the enrollment forms. An example can be seen on my institution's website.<sup>20</sup>

This will help prospective students compare colleges and majors before making one of the most expensive decisions of their life. It will bring universities in line with state licensing requirements for unaccredited educational institutions and consumer protection disclosures in other industries.<sup>21</sup>

## ***3. Encourage accreditors to seek and support innovation.***

Accreditors should allow for innovation by permitting new types of institutions to be formed and sup-

porting experiments within existing institutions. The Western Association of Schools and Colleges (WASC), for example, has an incubation program whereby a new institution can quickly develop and implement a program with the oversight and mentorship of an existing institution.<sup>22</sup> The new program is then fast-tracked for independent accreditation.

With this program, Make School was able to offer a computer-science program in partnership with Dominican University of California within six months of applying, and is now applying for independent accreditation.<sup>23</sup>

As higher-education models diversify, we can create different classes of accreditation for different types of institutions. For research universities, accreditation could be based on faculty credentials and research output; for liberal arts colleges, depth and diversity of subject matter; and for professionally focused schools, partnership with relevant industries. This would support divergent student needs while maintaining high standards, strong consumer protections, and necessary regulatory oversight.

## ***4. Partner with philanthropic organizations to create pay-for-success grants for innovative experiments.***

DOE should partner with philanthropic organizations to create “pay-for-success” grants for innovative experiments.<sup>24</sup> These grants—initially funded by philanthropic organizations—would support new programs focused on increasing upward mobility for low-income students. For example, grants could be used to develop project-based courses, industry collaboration, and co-op programs. If the programs succeed, ED would provide a refund to the philanthropic organization and expand the program to more institutions. This would accelerate innovation while allowing private organizations to bear the risk and ensuring that public dollars only fund successful experiments.

## ***5. Reform the Educational Quality through Innovative Partnerships (EQUIP) program to allow new programs to access Title IV funding and give college credit.***

In 2015, the federal government introduced a pilot program, Educational Quality through Innovative Partnerships (EQUIP), to provide access to education and training from unaccredited sources. The program is widely seen as a failure: of the eight pilot programs initially selected in 2016, none received approval to launch until 2018, and three dropped out. The program has not taken any new applicants since.<sup>25</sup>



The EQUIP program should be reworked to better enable vocational programs to access Title IV dollars under the oversight of existing institutions. EQUIP should include a requirement that students in vocational programs earn college credits that are transferable to other undergraduate or graduate institutions. EQUIP should also provide concrete incentives for existing institutions to prioritize supporting new programs—a key challenge facing existing test sites.

EQUIP can both increase access to federal funding for outcomes-based programs and enable successful completion of programs to serve as a building block to a degree, rather than acting as a Band-Aid that lives outside the accreditation system. In other countries, pathways from vocational programs into degree programs have been successful at creating upward mobility and increasing career success for those who complete vocational programs.<sup>26</sup>

## Conclusion

Challenges facing our higher-education system grow each year. While we have made significant progress in increasing access to higher education, we have not succeeded in turning access into the outcomes that matter: a successful career and livelihood.

We can address these challenges by shifting our focus from inputs to outcomes and shaping the incentives that drive institutional decisions. Each of the policies offered in this paper offers systematic, rather than surface-level, solutions, all of which will align the incentives of educational institutions with the success of their students.

Higher education is not one-size-fits-all, so we need ideas from many types of institutions addressing different challenges. By allowing greater flexibility in accreditation, aligning incentives of institutions with students, funding models, and encouraging innovation in education, we can create a higher-education system that uplifts all Americans.





# Endnotes

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- <sup>7</sup> Raj Chetty et al., "Mobility Report Cards: The Role of Colleges in Intergenerational Mobility," NBER Working Paper 23618, July 2017.
- <sup>8</sup> Ben Miller, "Improving Federal Accountability for Higher Education," Center for American Progress, Oct. 24, 2017. These policies include cohort default rate-based accountability, the 90-10 rule, and the Gainful Employment rule.
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- <sup>17</sup> Make School, Demographics.
- <sup>18</sup> "Making College Cost Less," *The Economist*, Apr. 5, 2014.
- <sup>19</sup> Ben Miller and Beth Akers, "Designing Higher Education Risk-Sharing Proposals," Center for American Progress, May 22, 2017.
- <sup>20</sup> Make School, Outcomes Data.
- <sup>21</sup> The California Bureau for Private Postsecondary Education (BPPE) requires unaccredited programs—but not accredited schools—to issue a School Performance Fact Sheet that clearly states outcome data alongside enrollment forms. See California BPPE, "FAQ on Laws and Regulations Pertaining to the Performance Fact Sheet."
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- <sup>24</sup> U.S. Department of Education (ED), Pay for Success.
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- <sup>26</sup> ED, "15 Fast Facts About the Swiss Apprenticeship Program," *Homeroom Blog*, Dec. 3, 2018.



